

VZCZCXYZ0000
OO RUEHWEB

DE RUEHSG #0010/01 0051939
ZNY CCCCC ZZH
O 051939Z JAN 09
FM AMEMBASSY SANTIAGO
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4234
INFO RUEHAC/AMEMBASSY ASUNCION PRIORITY 3703
RUEHBO/AMEMBASSY BOGOTA PRIORITY 2239
RUEHBR/AMEMBASSY BRASILIA PRIORITY 0615
RUEHBW/AMEMBASSY BUENOS AIRES PRIORITY 1218
RUEHCV/AMEMBASSY CARACAS PRIORITY 1899
RUEHLP/AMEMBASSY LA PAZ JAN 6065
RUEHPE/AMEMBASSY LIMA PRIORITY 5888
RUEHMU/AMEMBASSY MANAGUA PRIORITY 0144
RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 4170
RUEHQD/AMEMBASSY QUITO PRIORITY 2055

C O N F I D E N T I A L SANTIAGO 000010

SIPDIS

STATE FOR WHA/BSC
PLEASE PASS TO OAS FOR AMBASSADOR MORALES

E.O. 12958: DECL: 01/05/2019
TAGS: PGOV ECON CI
SUBJECT: INSULZA WITHDRAWS FROM CHILEAN PRESIDENTIAL RACE

REF: SANTIAGO 3

Classified By: Ambassador Paul Simons for reason 1.4 (b).

¶11. (C) SUMMARY: Socialist party leader Jose Miguel Insulza formally announced January 5 that he would not run for president, ending months of indecision and vague, and at times contradictory, statements concerning his political aspirations. During a January 4 conversation with the Ambassador, Insulza said that the prospect of a difficult primary battle with long-time friend Eduardo Frei (Christian Democrat), the negative impact on the Concertacion coalition of a bruising battle for the nomination, and a desire to provide strong leadership at the OAS in the lead up to April's Summit of the Americas were the main factors behind his decision. END SUMMARY.

¶12. (U) On January 5, Jose Miguel Insulza, Socialist party standard-bearer and Secretary General of the Organization of American States (OAS), announced that he would withdraw from the Chilean presidential race, ending months of indecision. In a press conference announcing his decision, he pledged to support Christian Democrat candidate Eduardo Frei and said that he would stay on at the OAS.

Main Motivations: PPD Indecision and Prospect of an Ugly Primary

¶13. (C) On January 4, Ambassador spoke with OAS Secretary General Jose Miguel Insulza while both were waiting to fly from Washington, DC to Santiago. Insulza was returning to Chile to bow out of the presidential race, he said. Although coming a few days after a poll that showed him trailing Frei in potential match-ups against Alianza candidate Sebastian Pinera (reftel), Insulza said that these results were not the main factor behind his decision. Instead, he was troubled by the Party for Democracy (PPD's) inability to reach a consensus about whom to support. Additionally, he noted that he is personally close to Frei (Insulza served as Frei's Foreign Minister) and, although he believed he could beat Frei in a primary, thought that such a battle would be bruising to both candidates and weaken the Concertacion. He predicted that the Socialist party would reluctantly back Frei once he withdrew.

¶14. (C) Insulza also noted that OAS members had pressured him to clarify his plans as soon as possible. Having a major

change of leadership and an Acting Secretary General would be particularly difficult during April's Summit of the Americas, he noted. Doing so could weaken the OAS as an institution--a legacy Insulza wanted to avoid.

Insulza Predicts a Tough Battle for the Presidency

¶15. (C) The Bachelet administration will work as hard as possible to limit the financial crisis from hurting Chile's economy, but some effects are likely and may help favor Pinera in the presidential race, the Secretary General told the Ambassador. With a very open economy, Chile is particularly vulnerable to knock-on effects of global financial problems. While Chile remains strong fiscally at the moment, the sharp decline in copper prices (the steepest decline of any commodity, according to Insulza) could spill over to hurt the government's balance sheets, hurting the governing Concertacion coalition. Moreover, Frei is widely seen as having mismanaged Chile's economy during the Asian financial crisis of the late 1990s, and Pinera, a business tycoon, may play up this failure.

¶16. (C) Insulza noted that several Latin American countries seem poised to move towards the center-left in the coming year--including likely victories for Evo Morales' new Bolivian constitution, Mauricio Funes in El Salvador's presidential election, and by the left in Uruguay's presidential election. Chile, he said, could well buck the trend by defeating the Concertacion government after 18 years of rule and instead electing conservative candidate Pinera.

PPD Leader: Party Likely to Back Frei

¶17. (SBU) In a separate meeting on January 5, Igor Garafulic, a PPD member and new Intendente (appointed governor) of the Santiago Metropolitan Region, told the Ambassador and E/Pol staff that the PPD was likely to back Frei now that Insulza had left the race, but would not formally decide until taking a party vote on January 24. With Insulza out of the race, a Concertacion primary originally planned for April is unlikely to occur, he said.

Comment

¶18. (C) Insulza finally seems to have recognized that his hopes of winning the presidency were growing dimmer with each passing week of indecision. Both his stated rationale--to avoid a bruising fight with Frei and to remain longer at the OAS--and what we suspect is the real reason--coming up empty-handed if he steps down from the OAS and then loses the presidential election--technically leave open the possibility of a future presidential bid in 2013. And Insulza could read the numbers; his candidacy was generating no enthusiasm. Insulza would be 70 during the next election, younger than Ricardo Lagos, who had the strongest showing of all potential Concertacion candidates, was when he withdrew from the presidential race last month. Meanwhile, Insulza's withdrawal is good news for Frei, who can begin to work to unite the divided Concertacion coalition. END COMMENT.

SIMONS